

**AUDIT REPORT OF
MASON COUNTY CLERK**

Calendar Year 2005

**Donna Bouvier
Certified Public Accountant**

**Member: American Institute of Certified Public Accountants
Kentucky Society of Certified Public Accountants**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MASON COUNTY CLERK

**For The Year Ended
December 31, 2005**

I have completed the Mason County Clerk's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

Excess fees increased by \$10,648 from the prior calendar year, resulting in excess fees of \$51,282 as of December 31, 2005. Revenues increased by \$36,963 from the prior year and expenditures increased by \$26,315.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities.

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270-316-3771**

The Honorable James Gallenstein, Mason County Judge/Executive
Honorable Frances Cotterill, Mason County Clerk
Members of the Mason County Fiscal Court

Independent Auditor's Report

I have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Mason County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the County Clerk. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statement referred to above presents fairly in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2005, in conformity with the regulatory basis of accounting.

In accordance with *Government Auditing Standards*, I have issued a report dated June 21, 2006, on my consideration of the County Clerk's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Honorable James Gallenstein, Mason County Judge/Executive
Honorable Frances Cotterill, Mason County Clerk
Members of the Mason County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Mason County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

Donna Bouvier

Donna Bouvier
Certified Public Accountant

June 21, 2006

MASON COUNTY
FRANCES COTTERILL, CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES –
REGULATORY BASIS
For The Year Ended December 31, 2005

<u>Revenues</u>									
State Fees For Services								\$	7,444
Fiscal Court									4,311
Licenses and Taxes:									
Motor Vehicle-									
Licenses and Transfers							\$	418,247	
Usage Tax								2,033,396	
Tangible Personal Property Tax								1,243,598	
Licenses-									
Fish and Game								4,751	
Marriage								6,141	
Occupational								284	
Deed Transfer Tax								54,329	
Delinquent Tax								90,829	3,851,575
Fees Collected for Services:									
Recordings-									
Deeds, Easements and Contracts								12,627	
Real Estate Mortgages								33,219	
Chattel Mortgages and Financing Statements								49,261	
Powers of Attorney								1,038	
All Other Recordings								16,708	
Charges for Other Services -									
Copywork								4,500	117,353
Other:									
Lien Releases								4,110	
Miscellaneous								479	4,589
Interest Earned									625
Total Revenues								\$	3,985,897

The accompanying notes are an integral part of the financial statement.

MASON COUNTY
FRANCES COTTERILL, CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES-REGULATORY BASIS
For The Year Ended December 31, 2005
(Continued)

<u>Expenditures</u>							
Payments to State:							
Motor Vehicle-							
Licenses and Transfers				\$	318,839		
Usage Tax					1,968,923		
Tangible Personal Property Tax					413,632	\$	2,701,394
Licenses-							
Fish and Game					4,596		
Delinquent Tax					10,262		
Legal Process Tax					15,157		30,015
Payments to Fiscal Court:							
Tangible Personal Property Tax					122,141		
Delinquent Tax					12,410		
Deed Transfer Tax					51,613		
Occupational Licenses					195		186,359
Tangible Personal Property Tax					658,216		
Delinquent Tax					48,841		707,057
Payments to Sheriff							405
Payments to County Attorney							12,548
Operating Expenditures:							
Personal Services-							
Deputies Salaries							181,315
Supplies and Materials-							
Office Supplies							1,733
Other Charges-							
Conventions and Travel					2,534		
Dues					550		
Postage					68		
Insurance					5,093		
Operating Lease					17,229		
Refunds					5,042		
Bad Debt Expense					77		30,593

The accompanying notes are an integral part of the financial statement.

(Continued)

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The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT

MASON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1: Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15.

The financial statement has been prepared on regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods and services provided in 2005

The measurement focus of fee officials is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2: Employees Retirement System

The county officials and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost-sharing, multiple-employer defined benefit pensions plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 3: Deposits

The County Clerk maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480 (1) (d). According to KRS 41.240 (4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met.

Custodial credit risk is the risk that in the event of a depository institution's failure, the County Clerk's deposits may not be returned to her. The County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4: Operating Lease

On December 1, 2004, the County Clerk entered into a lease agreement with Software Management, Inc. for hardware and software beginning December 1, 2004 and ending November 30, 2005. The County Clerk has an option to renew the lease agreement December 1 of each year. The County Clerk makes monthly payments of \$712 for the hardware and \$705 for the software.

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit of Financial Statements
Performed In Accordance With Government Auditing Standards**

I have audited the statement of revenues, expenditures, and excess fees – regulatory basis of the Mason County Clerk for the year ended December 31, 2005, and have issued my report thereon dated June 21, 2006. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Mason County Clerk's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mason County Clerk's financial statement for the year ended December 31, 2005, is free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An
Audit of Financial Statements Performed In Accordance
With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Donna Bouvier

Donna Bouvier
Certified Public Accountant

June 21, 2006